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Costing a Living Wage in the Global Apparel Industry:
Some evidence from UK Fashion Retail

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Abstract

This paper focuses on a specific feature of buying behavior in the UK fashion retail industry: the negotiation of a manufacturing price (CMT cost) with suppliers which does not separately itemize labour cost. This practice, tacitly supported by both buyers and suppliers, is examined against the backdrop of ongoing wage defaulting and import price deflation in the global apparel industry. Whilst wage non compliance cannot be solely explained by this buying practice, since other commercial practices and factors may have an equal if not greater impact on a supplier's liquidity/ability to pay on time and in full, the case is nevertheless made that an absence of labour costing must inevitably have an effect on the capacity of a factory to deliver an order at a negotiated price and to meet social compliance benchmarks at the same time. The paper attempts to construct a formula for sustainable labour pricing at the buyer end using industrial engineering principles which appear to have been lost in the truncation of buying firms caused by international sourcing. The methodology, which can be used to calculate a living wage, has implications for international buying practice but its success will depend ultimately on the extent to which the core principles of freedom of association and collective bargaining are respected within the sector.